



Department of Justice

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Eastern District of California

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FOLSOM MAN INDICTED IN \$40 MILLION PONZI SCHEME *Defrauded 150 Investors, Many from His Church*

SACRAMENTO, Calif.—Acting United States Attorney Lawrence G. Brown, FBI Special Agent-in-Charge Drew Parenti, and IRS-Criminal Investigation Special-Agent-in-Charge Scott O'Briant announced that a grand jury has returned an indictment alleging mail fraud, wire fraud, and money laundering against ANTHONY VASSALLO, 29, of Folsom, Calif. for his role in a massive investment fraud scheme that brought in more than \$40 million from 150 investors, many of whom he met in church. VASSALLO will next appear in court on April 16, 2009, at 2:00 PM before United States Magistrate Judge Dale A. Drozd.

This case is the product of a joint investigation by the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigations. The United States Securities & Exchange Commission assisted with this case.

“In these difficult economic times, it is more vital than ever that federal investigative and prosecutive resources are brought to bear against those who perpetrate large-scale fraud schemes,” says Acting U.S. Attorney Brown.

Investment Ponzi Scheme

According to Assistant United States Attorney Robin R. Taylor, who is prosecuting the case, VASSALLO and others operated Equity Investment, Management and Trading Inc. (EIMT) in Folsom, soliciting investors for a “hedge fund” program. He promised investors a rate of return of 3.5 percent per month with little risk of loss.

The indictment alleges that these representations were false and that VASSALLO and others operated EIMT as a vast Ponzi scheme using investor funds to make “dividend” payments to other investors and make risky loans without investor knowledge or consent. Although VASSALLO lost virtually all of the investors’ money, and ceased trading in securities in about September 2007, he lulled investors into keeping their funds on deposit by fabricating investment information and reporting positive returns. Neither VASSALLO nor EIMT was registered with the SEC. According to the indictment, rather than investing funds as represented, VASSALLO used investor funds for personal expenses, to purchase a car from Lexus of Sacramento for \$103,215.94, and to make a payment to the Church of Jesus Christ of Latter-Day Saints in Folsom, California for \$24,149. The balance of the funds were used to make lulling payments to other investors, lost in risky investments or transferred to third parties without investor knowledge or consent.

Civil Action

On March 11, 2009, the SEC charged VASSALLO and KENNETH KENITZER, 66, of Pleasanton, Calif., with the anti-fraud provisions of the federal securities laws for their roles in

the fraudulent investment scheme. The SEC obtained a court order against VASSALLO and KENITZER freezing the assets of EIMT. In addition, the SEC seeks injunctive relief, disgorgement of fraud proceeds, and financial penalties. The SEC has frozen \$1.2 million found in a bank account controlled by VASSALLO.

VASSALLO originally was charged in a criminal complaint, along with his co-defendant MICHAEL DAVID SANDERS. SANDERS is accused of conspiracy, impersonating a federal law enforcement agent and with attempting to extort monies in connection with plot to recover funds for EIMT investors. He has not been indicted; a preliminary hearing is set for May 1, 2009.

Statutory Penalties

If convicted, VASSALLO faces up to 20 years in prison for the mail and wire fraud offenses; up to 20 years for the money laundering offenses; and up to 10 years in prison the securities law violations, with fines up to twice the value of the victims' losses. SANDERS faces up to five years in prison for the conspiracy, up to three years in prison for impersonating a federal law enforcement agent, and three years for extortion. However, the actual sentence will be dictated by the Federal Sentencing Guidelines, which take into account a number of factors, and will be imposed at the discretion of the court. The charges in the indictment are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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